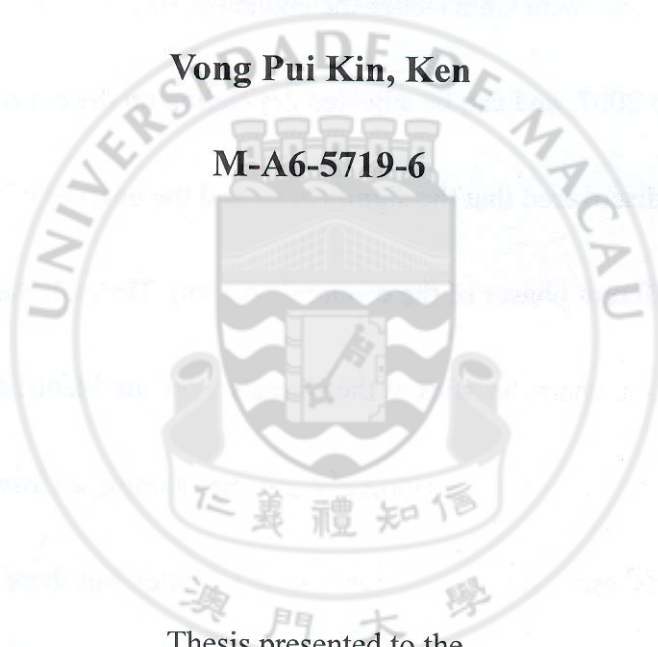


**UNIVERSITY OF MACAU**  
**FACULTY OF BUSINESS ADMINISTRATION**

**A GRAVITY MODEL STUDY ON CHINA'S TRADE**

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## **Abstract**

This thesis explores economic expansion behind China's international trade by different phases and characteristics of bilateral trade between China and Hong Kong. An extended gravity model with panel data approach performs an OLS regression on a data set including twelve advanced countries and regions which have shared 60 to 70% of bilateral trades with China since the economic reform. The sampling period is between 1986 and 2007, and can be adjusted depending on the approach in different subsamples. It is discovered that the significance and the degrees of impact of factors are changed in different phases of the economic reform. Through the analysis of the economic expansion, characteristics of the China's trade are identified. Furthermore, as a famous international harbour, Hong Kong is maintaining a close relationship with the China's exports, especially as a major re-export center, but there is a negative effect on the China's imports.

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